

Message Text

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C O N F I D E N T I A L MANILA 9758

EA ONLY - FOR HOLBROOKE AND GEGINBOTHAM

E.O. 11652: NA
TAGS: ETRD, RP
SUBJECT: US-PHILIPPINE BILATERAL ECONOMIC NEGOTIATIONS

REF: MANILA 1050

1. IN JUNE 20 CONVERSATION WITH SECRETARY OF FINANCE CESAR VIRATA, I ASKED ABOUT GOP VIEWS CONCERNING ECONOMIC NEGOTIATIONS WITH THE U.S. HE SAID THAT THE GOP IS INTERESTED, BUT FIRST WOULD WISH TO PRENEGOTIATE TO ASCERTAIN IF THERE IS SUFFICIENT FLEXIBILITY IN THE U.S. POSITION TO WARRANT REGULAR NEGOTIATIONS, AS NO NEGOTIATIONS WOULD BE PREFERRED TO ABORTIVE NEGOTIATIONS.

2. VIRATA FRANKLY STATED THAT THE GOP IS UNWILLING, INDEED UNABLE (LEGALLY, POLITICALLY AND PSYCHOLOGICALLY) TO GRANT THE U.S. NON-DISCRIMINATORY TREATMENT OF INVESTMENTS, WHICH THE GOP CAN ONLY INTERPRET TO MEAN NATIONAL TREATMENT BY ANOTHER NAME. THE GOP MUST BE IN A POSITION WITH RESPECT TO U.S. AS WELL AS OTHER FOREIGN INVESTMENT (WHICH WOULD INSIST ON SIMILAR CONCESSIONS) TO ADJUST INVESTMENT RELATED CONDITIONS AS MAY BE REQUIRED OVER TIME. HOWEVER, THE GOP RECORD ON TREATMENT OF INVESTMENTS GIVES NO CAUSE FOR CONCERN, AND ALSO, THE GOP IS PREPARED TO CONSIDER EXCEPTIONS ON THEIR MERITS OUTSIDE THE MFN CONTEXT, E.G., CURRENT
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PROCEDURES PROVIDE FOR PIONEER AND OTHER TYPE OF EXCEPTIONAL INVESTMENT CONDITIONS.

3. ON THE BASIS OF EMBASSY'S RECENT REVIEW (SEE PARAS 4 AND 5 BELOW) OF THE CENTRAL ISSUES OF THE NEGOTIATIONS (THE GSP WAIVER, PARTICULARLY FOR SUGAR, RECIPROCAL TRADE CONCESSIONS AND INVESTMENT GUARANTEES), IT DOES APPEAR THAT U.S. AND GOP

POSITIONS REMAIN QUITE FAR APART. I THIS AGREE WITH SECRETARY VIRATA THAT WE SHOULD PROCEED WITH CARE. SHOULD TALKS FAIL, GOP NEGOTIATORS WILL ATTEMPT TO PERSUADE MARCOS, ETA AL, THAT U.S. INTRANSIGENCE AND LACK OF SYMPATHY ARE AGAIN TO BLAME.

4. GOP HAS BEEN RECONSIDERING ITS POSITION ON THESE TALKS FOR SOME MONTHS. OUR CURRENT THOUGHTS ON THIS PROBLEM ARE CONTAINED IN OUR INFORMAL PAPER CONVEYED UNDER COVER OF MELLOR-HEGINBOTHAM LETTER OF MAY 19. THESE REPRESENT THE OPENING ROUND IN OUR RECONSIDERATION OF THE U.S. POSITION, A PROCESS WHICH EMBASSY RECOMMENDS BEGIN ASAP IN WASHINGTON, WITH A GOAL OF REACHING TENTATIVE CONCLUSIONS BY MID JULY.

5. THE BURDEN OF OUR PAPER SENT HEGINBOTHAM MAY 19 IS THAT THERE IS NO OVERRIDING POLITICAL OR ECONOMIC NECESSITY FOR A NEW BILATERAL ECONOMIC TREATY WITH THE PHILIPPINES. THE EXPIRATION OF LAUREL-LANGLEY HAS NOT CAUSED THE ECONOMIC AND COMMERCIAL DISRUPTION PREVIOUSLY EXPECTED BY MANY; AND POLITICAL RELATIONS HAVE NOT BEEN MEASURABLY AFFECTED. MOREOVER, THERE IS NO CLEAR OR TO A NEW AGREEMENT, AS THE NEGOTIATING POSITIONS OF THE TWO SIDES DO NOT MATCH FACILITATE OUR CONCLUSION AND IF NEGOTIATIONS RESUME SOON, A SUCCESSFUL OUTCOME IS IMPROBABLE. WE OF COURSE WISH TO PREVENT THE ADVERSE REACTION THAT WOULD FOLLOW ANY CONFIDENTIAL

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RELUCTANCE TO TALK, AS WELL AS AN UNSUCCESSFUL OUTCOME OF ANY NEGOTIATIONS THAT MIGHT TRANSPIRE.

7. MEANWHILE, I BELIEVE I SHOULD PLAN TO CONDUCT STRUCTURED "PRENEGOTIATION" BUT TO GAIN A CLEARER SENSE OF THE CURRENT GOP POSITION AND TO FORESTALL ANY POSSIBLE FORMAL GOP REQUEST TO RESUME NEGOTIATIONS. IN THIS REGARD I WOULD WELCOME ANY GUIDANCE YOU MIGHT WISH TO OFFER.

8. IF THE DECISION IS MADE NOT TO HOLD COMPREHENSIVE ECONOMIC NEGOTIATIONS, TWO TRADE PROBLEMS OF SPECIAL CONCERN TO THE GOP WILL REMAIN TO TARIFFS ON COCONUT OIL AND PLYWOOD. THESE PROBLEMS MIGHT BE DEALT WITH IN THE MTN; BUT IF THIS WERE NOT POSSIBLE, WE SHOULD MAKE A CONCERNED EFFORT MAIN TO BEDEVEIL US: THE U.S. TARIFFS ON COCONUT OIL AND PLYWOOD. THESE PROBLEMS MIGHT BE DEALT WITH IN THE MTN; BUT IF THIS WERE NOT POSSIBLE, WE SHOULD MAKE A CONCERTED EFFORT TO RESOLVE THEM BILATERALLY. THEY HAVE THE POTENTIAL FOR LONG-LASTING IRRITATION BETWEEN THE U.S. AND R.P.

9. NOTE EA-ONLY CAPTION PLEASE.
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